



GOVERNMENT OF INDIA
DEPARTMENT OF COMMERCE

REPORT OF THE INDIAN TARIFF BOARD

ON THE
CONTINUANCE OF PROTECTION TO THE
SUGAR INDUSTRY

BOMBAY 1947

PRINTED IN INDIA FOR THE MANAGER OF PUBLICATIONS DELHI
BY THE MANAGER GOVERNMENT OF INDIA PRESS SIMLA 1947

List of Agents in India from whom Government of India Publications are available

ABBOTTABAD—English Book Store.

AGRA—

English Book Depot, Taj Road.
India Army Book Depot, Dayalbagh.
National Book House, Jeomondi.

AHMEDABAD—

Chandra Kant Chiman Lal Vora.
H. L. College of Commerce Co-operative Store, Ltd.

New Order Book Co.

AJMER—Banthiya & Co., Ltd., Station Road.

AKOLA—Bakshi, Mr. M. G.

ALLAHABAD—

Central Book Depot, 44, Johnstonganj.

Kitabistan, 17-A, City Road.

Ram Narain Lal, 1, Bank Road.

Superintendent, Printing and Stationery, U. P.

BANGALORE—Messrs. S. S. Book Emporium, 118, G. H. Extension, Brasavangudi P. O.

BAREILLY—Aggarwal Brothers.

BARODA—Hony. General Secretary, Pratap Singha College of Commerce Co-operative Stores, Ltd.

BENARES—Students Friends Booksellers, University Gate.

BHANDARA (C. P.)—S. S. Dhara Shirkar.

BOMBAY—

Co-operators' Book Depot, 9, Bakehouse Lane, Fort.

Lakhani Book Depot, Bombay, 4.

New Book Co., Kitab Mahal, 188-90, Hornby Road.

Popular Book Depot, Grant Road.

Safety Book Shop, Safety First Association of India, Fort.

Superintendent, Govt. Printing & Stationery, Queen's Road.

Taraporevala Sons & Co., Messrs. D. B.

Thacker & Co., Ltd.

Tripathi & Co., Messrs. N. M., Princess Street, Kalbadevi Road.

CALCUTTA—

Book Company.

Chatterjee & Co., 2, Bacharam Chatterjee Lane.

Das Gupta & Co., 51/3, College Street.

Hindu Library, 60-A, Balaram Pe Street.

Lahiri & Co., Ltd., Messrs. S. K.

Newman & Co., Ltd., Messrs. W.

R. Cambay & Co., Kent House, P 33, Mission Row Extension.

Roy Chowdhury & Co., Messrs. N. M., 72, Harrison Road.

Sarkar & Sons, Messrs. M. C., 15, College Square.

Sarkar & Sons, Ltd., Messrs. S. C., 1/1/1-C, College Square.

Standard Law Book Society, 721-A, Hazra Lane, Rash Behari Avenue P. O.

Thacker, Spink & Co. (1833), Ltd.

CAWNPORE.

CUTTACK—Press Officer, Orissa Secretariat.

DEHRA DUN—Jugal Kishore & Co.

DELHI—

Central Book Depot, Kashmir Gate.

Federal Law Depot, Kashmir Gate.

Frank Brothers, Chardni Chowk.

Imperial Book Depot and Press, Near Jama Masjid (Machhiwalan).

Indian Army Book Depot, Daryaganj.

Jaina & Bros., Messrs. J. M., Mori Gate.

Metropolitan Book Co., Faiz Bazar, Delhi.

Oxford Book and Stationery Co.

Young Man & Co. (Regd.), Egreton Road.

DEVGAD FARIA—Joshi, Mr. V. G., News Agent (via Piplod).

FEROZKORE—English Book Depot.

GWALIOR—Jain & Bros., Messrs. M. B., Sarafa Road.

HYDERABAD (DECCAN)—Hyderabad Book Depot.

JAIPUR CITY—

Garg Book Co.

Ramesh Book Depot, Trephe Bazar.

JODHPUR—Mr. Dwarkadas Rathi, Book Sellers.

JUBBULPORE—The C. P. Circulating Library & Book Depot (Regd.), Cecil East Street.

KARACHI—

Aero Stores.

Keal & Co.

Modern Book Depot.

Wadhawa Bros., Kutheery Road.

KARACHI (SADAR)—Manager, Sind Government Book Depot and Record Office.

LAHORE—

Imperial Publishing Co., 99, Railway Road.

Indian Law Agencies, Krishna Nagar.

Kanail & Co., Messrs. N. C., 9, Commercial Buildings, The Mall.

Law Book Coy., 5, Kachari Road.

Malhotra & Co., Messrs. U. P., Post Box No. 84.

Minerva Book Shop, Anarkali Street.

New Oxford Book Coy.

Punjab Religious Book Society.

Rama Krishna & Sons, Anarkali.

Reliance Book Stall.

Superintendent, Govt. Printing, Punjab.

Technical and Commercial Book Co.

University Book Agency, Kachari Road.

LYALLPUR—Proprietor, The Lyall Book Depot, Circular Road.

LUCKNOW—Upper India Publishing House, Ltd., Literature Palace, Aminuddaula Park.

MADRAS—

Higinbothams.

Superintendent, Govt. Press, Mount Road.

Varadachary & Co., Messrs. P.

NAGPUR—

Central Law House, Tilak Road.

Khot & Sons, Messrs. G. G., S.M. Balai, 3rd Modi Lane.

Superintendent, Govt. Printing, Central Provinces.

NEW DELHI—

Bhawnani & Sons, Connaught Place.

Jaina Book Agency, Connaught Place.

Saraswati Book Depot, 15, Lady Hardinge Road.

PATNA—Superintendent, Government Printing, Bihar, P. O. Guizerbagh.

PATNA CITY—

Lakshmi Trading Co., Padri-ki-Haveli.

Raghunath Prasad & Sons.

PESHAWAR—

London Book Co. (India), Arbab Road.

Manager, Govt. Printing & Stationery, N.-W. F. P.

PESHAWAR CANTT.—Faqir Chand Marwah.

POONA—

Deccan Bookstall, Fergusson College Road.

Dastane Bros., Home Service, 456, Rawliwar Path.

International Book Service.

QUETTA—Standard Bookstall.

RAJKOT—Mohanlal Dossabhai Shah.

RAWALPINDI—Ray & Sons, Messrs. J., 43, K. & L. Edwards Road.

ROORKEE—Proprietor, The Cambridge Book Depot.

SHILLONG—Superintendent, Assam Secretariat Press.

SIALKOT CANTT.—Clifton & Co.

SRINAGAR—Raina Newsagency.

TRICHINOPOLY FORT—Krishnaswami & Co., Messrs. S., Teppakulam.

VELLORE—Venkatasubban, Mr. A., Law Book-seller.

PERSONNEL OF THE BOARD

SIR R. K. SHANMUKHAM CHETTY, K.C.I.E.—PRESIDENT.

MR. C. C. DESAI, C.I.E., I.C.S.—MEMBER-SECRETARY.

DR. NAZIR AHMAD, O.B.E.—MEMBER.

DR. H. L. DEY, D.Sc. (LOND.)—MEMBER.

**RAI SAHIB S. C. AGGARWAL, B.A. (HONS.), DIPL. MIN. ENG. (LEEDS),
F.G.S. (LONDON).—DEPUTY SECRETARY.**



PERSONNEL OF THE BOARD WHO HEARD THIS CASE

SIR R. K. SHANMUKHAM CHETTY, K.C.I.E.—PRESIDENT.

MR. C. C. DESAI, C.I.E., I.C.S.—MEMBER-SECRETARY.

DR. H. L. DEY, D.Sc. (LOND.)—MEMBER.

(i)

CONTENTS

PARA.	PAGE.
1 Reference to the Board	1
2 Method of inquiry	1
3 Review of the proceedings of the conference	2
4 Burden of proof that continuance of protection is necessary rests on the industry	3
5 Importance of the interest of consumers	3
6 Industry's case for continuance of protection	4
7 U.P. and Bihar Governments' point of view	5
8 <i>Khandsari</i> industry's point of view	6
9 Importers' point of view	6
10 Control and protection	6
11 Progress of the sugar industry	7
12 World's sugar position	9
13 Import trade in sugar	11
14 Export trade in sugar	11
15 Case for continuance of protection	12
16 Board's recommendation regarding continuance of protection	14
17 The present import duty on sugar	15
18 Summary of conclusions and recommendations	15
19 Acknowledgments	16

APPENDICES:

	PAGE
APPENDIX I.—Letter No. 134-T (36)/46, dated the 19th December, 1946, from the Government of India, Department of Commerce, to the Member Secretary, Indian Tariff Board	17
APPENDIX II.—Government of India, Department of Commerce, Resolution No. 28.T(6)/46, dated the 20th January, 1947	19
APPENDIX III.—List of producers and others invited to attend the sugar conference	20
APPENDIX IV.—List of producers and others who attended the conference	21
APPENDIX V.—Number of vacuum pan factories working in India, including States, and production of sugar in vacuum pan factories, <i>gur</i> refineries and <i>khandisari</i> from 1931-32 to 1945-46 and estimate of production for 1946-47	22
APPENDIX VI.—Statement of imports of sugar by sea into British India	23
APPENDIX VII.—Statement showing the total quantity and value of sugar imported into British India by sea since 1936-37, from the principal countries of consignment	24
APPENDIX VIII.—Statement of index numbers of prices of wheat rice sugarcane sugar and <i>gur</i>	26



REPORT ON THE CONTINUANCE OF PROTECTION TO THE SUGAR INDUSTRY

1. The Government of India, Department of Commerce, in their letter No. 134-T(36)/46, dated the 19th December, 1946 (Appendix I), pointed out that the period for which protection had been granted to certain old established industries, including the sugar industry, was due to expire on the 31st March, 1947, and requested the Tariff Board to investigate the claims of these industries to continued enjoyment of protection at the existing or a reduced or enhanced scale. Government referred in their letter to the continuance of the economic uncertainties which had made it impossible to conduct such an inquiry during wartime and asked the Board to evaluate, in a summary manner, the necessity or otherwise of continuing the existing measure of protection beyond the 31st March, 1947. In making its recommendations, the Board was asked to bear in mind the interests of both the manufacturers and the consumers. Government desired the considered opinion of the Board by the end of January 1947, as a decision must be taken well before the commencement of the budget session in order to enable them to introduce the necessary legislative measure in time, and, therefore, suggested that the Board might have a summary discussion with the representatives of the industries and other interested parties. The reference was subsequently confirmed in the Commerce Department Resolution No. 28-T(6)/46 dated the 20th January, 1947 (Appendix II).

2. As the time at the disposal of the Board was not much more than a month and it was impossible to hold a detailed inquiry involving determination of costs of production and landed costs of imports for equation of domestic and foreign prices, we decided to compile such data as could be easily gathered from Government publications and records and to discuss with the representatives of the industry and other interested parties as to what should be done when the existing protective duties expired on the 31st March 1947. The Board decided to invite (a) representatives of principal associations of sugar producers in the country, (b) a few prominent importers and merchants, and (c) certain other individuals having intimate knowledge of the industry to a joint conference for discussion of the principal issues. A list of the associations and persons to whom invitations for the conference were issued will be found in Appendix III. The associations were also asked to submit their views a few days before the conference was due to meet. All the associations to whom the request was addressed were good enough to comply with it. The conference was held in the office of the Board in Bombay on the 12th and 13th of February, 1947. A list of the persons who attended the conference is given in Appendix IV.

3. The Board explained to the conference the purpose for which the meeting had been convened. It was pointed out that the sugar industry had been a protected industry since 1932 when the Sugar Industry (Protection) Act was passed. Since then there has been another tariff inquiry into the case of this industry in 1937. The protective duties which were imposed in 1939 as a result of the last tariff inquiry were due to expire in 1941, but owing to the intervention of the war in the meantime these protective duties have been continued without any inquiry by Continuation Acts from time to time. The last extension was agreed to by the Legislature in April 1946 for a period of one year, and an undertaking was given by Government that meanwhile the case of the industry would be examined and Government would decide as to what should be done in respect of this and other major industries. The proceedings of the Legislative Assembly leading to the grant of the extension were explained to the conference with a view to indicating the context in which the extension had been agreed to and the justification that would be demanded in the event of Government proposing further extension in respect of the expiring protective duties. It was pointed out that the principal criticism of the continuation was that these industries had grown up under the shelter of protection for a sufficiently long time-- in this case 14 years-- to enable them to stand on their own feet and were now placed in a particularly strong position. It was urged in the debate that protection should ordinarily be regarded as a temporary expedient intended to enable a struggling or distressed industry to overcome foreign competition either in the initial stages or during a period of depression and that protection would not be justified unless the industry could give an assurance that it would be in a position to dispense with the protective duties within a reasonable time. The Board asked the representatives of the industry to consider whether, in view of the cessation of imports because of which import duties had become inoperative it was really necessary to continue the existing protection. The industry was also asked to bear in mind that it had enjoyed protection for a period of 14 years and that, if it was not in a position to stand on its own legs now, it could hardly hold out the prospect of becoming independent of protection within the foreseeable future. The representatives of the industry were also requested not to lose sight of the fact that, if they asked for a continuance of protection, the Board could not, under its terms of reference, recommend extension of protection for more than a year. The second possible alternative for the industry to consider would be whether its interest would be best served by maintaining the industry in the protective list but keeping the duties in abeyance so that, if during this period of one year there was any sudden rush of competition, Government by executive action might restore the protective duties. And the third alternative that presented itself to the Board was that, there being no case for the continuance of protection, the industry should be de-protected and such revenue duties should be imposed on sugar as might be thought proper by Government on purely revenue considerations. In connection with this third alternative, it was suggested that the act of de-protection might contain a proviso to the effect that, if at any time in future the industry felt that it was being threatened by foreign competition, it would be open to the industry to apply to Government for inquiry and protection and that Govern-

ment in such a case would order a Tariff Board inquiry and give such protection as might be found necessary as a result of such inquiry. The conference was also asked to consider whether the removal of protection would not encourage imports to some extent, thereby reducing the gap between demand and supply and causing a tendency towards lower prices, which might to some extent check the inflationary forces that have been at work in India during the last few years. It was pointed out to the conference that, when the Tariff Board made its last inquiry into the conditions of the sugar industry in 1937, it had been found that the price of sugar in India was not being governed by the price of the imported sugar but that it was being entirely regulated by internal competition, which might lead to the inference that even as long ago as 1937 the industry did not stand in need of protection or such quantum of protection as was being given at the time. The industry was also asked to indicate the progress it had made towards a position of independence since protection was first given in 1932. It was pointed out that, whereas the incidence of the protective duty in 1932-33 was something like 130 per cent. on the then prevailing c.i.f. prices, the incidence of the protective duty, exclusive of the countervailing duty equivalent to the excise duty, levied in 1939 was of the order of 180 per cent, showing thereby that the gap between the c.i.f. price and the fair selling price of sugar, instead of becoming narrower at the end of the first period of protection, had actually become wider. It was also brought to the notice of the conference that some 90 out of 150 units of the industry were below what is to-day considered, say, by the Sugar Panel, to be an economic unit, and that the industry had not been able to make any appreciable progress in the utilization of its principal by-products, such as, molasses and bagasse.

4. The industry was requested to bear in mind that, if it asked for continuance of protection, the burden of proving that protection was necessary under the conditions of to day rested heavily on the industry. It was pointed out that protection had to be justified broadly on the following principles : (i) that there exists competition from which the indigenous industry requires protection ; (ii) that the protection required is temporary and could be dispensed with within a reasonable period ; (iii) that the cost to the consumer arising out of the protection is not excessive ; and (iv) that the industry is run on sound business lines. The eligibility of the industry for protection was, of course, not in doubt or disputed, it being an industry of sufficient national importance.

5. The Board laid considerable stress on the interest and requirements of the consumer. The industry was requested particularly to consider what should be done to increase the supply of sugar, there being a gap of about 5 lakh tons between estimated demand and supply. The Board would like to examine if some relief to the consumers could not be given by a reduction of the protective duty. It was agreed that the world sugar position was still tight and that the volume of imports would be determined more by the exportable surpluses in the main producing countries than by the level of

duties in this country. But even so, it was arguable that a small stream of imports might somewhat ease the supply position.

6. Mr. Lalchand Hirachand, representing the Indian Sugar Mills Association presented the case on behalf of the sugar industry as a whole. He reaffirmed what his Association and the other principal Associations had stated in their written replies and contended that the time for the de-protection of the sugar industry had not yet arrived. He pointed out that the industry had shown phenomenal progress in so far as increase of its output was concerned, and that considerable advance had also been made in respect of its manufacturing efficiency, but that the initial handicap of the industry on account of the comparatively low quality and high cost of its raw material, namely, sugarcane, still continued practically the same as before. He maintained with a good deal of emphasis that if this original handicap in respect of sugarcane still remained, the responsibility for such a state of affairs should be laid on Government rather than on the industry. He further added that protection in this case had been intended not so much for the sake of the manufacturing industry as for the agricultural side of it, and that so long as production of sugarcane in India remained inefficient as compared with that of rival countries like Java, Cuba, Hawaii, etc., and it was likely to remain so for many years to come, the protection to the industry must be maintained. He admitted that there had been no competition from imports in recent years, and that there was no competition at present, but suggested that there were clear indications that the sugar industry in Java and in other main sugar producing countries was being rapidly rehabilitated, as a result of which imports of sugar might come into the country at competitive prices within a couple of years. He pointed out that the price of Java sugar in 1936-37, when the last Tariff Board inquiry was held, was as low as Rs. 2/- per maund and that even assuming that the price of sugar in Java had gone up by 4, 5 or 6 times, it would still remain far below the present price of sugar in India, which is in the neighbourhood of Rs. 22/-. He further pointed out that so long as the cultivation of sugarcane in Java continued to be incomparably superior to that in India on account of the fact that sugarcane was being produced in Java by the factories themselves under a highly organized and scientific system, while its cultivation in India for the major part continued to be carried on by small farmers without proper resources and organization, the difference in the quality and cost of sugarcane in the two countries was bound to remain great, thereby materially affecting the competitive capacity of the Indian sugar industry. He claimed that many of the units of the sugar industry in India could manufacture sugar nearly as cheaply as Java provided that they got their sugarcane of as high a quality and at as low a price as in Java. It was also urged that, though protection had been in existence nominally for a period of 14 years, the last six or seven years were abnormal in that the industry had little chance to import machinery in order to expand its productive capacity and improve its efficiency, or carry on experiments in the utilization of by products. It was further contended that the industry had been severely controlled during the last few years in respect of its prices and profits and that the industry did not have

any chance to build up adequate reserves for post-war expansion and improvement. It was also pointed out that due to the "Grow more food" campaign in the country, the supply of sugarcane to the factories in many parts of the country was totally inadequate and that on account of the market price of gur being for the most part appreciably above its control price, which is also its theoretical parity price in relation to the price of sugar, the cane cultivators in many places converted their sugarcane into gur and refrained from supplying adequate quantities of sugarcane to the factories which led to an appreciable reduction in output in many factories. In view of these special and abnormal handicaps from which the industry had suffered and due to which the industry could not strengthen its financial position and improve its manufacturing efficiency during wartime, it was entitled to a continuance of protection. This line of argument was strongly supported by Lala Gurusharan Lal, Mr. Krishna Deva and Mr. J. S. Menta of the Indian Sugar Mills Association, Mr. D. M. Dahanukar and Mr. K. G. Somaiya of the Deccan Sugar Factories Association, Mr. G. N. Todd of the South Indian Sugar Mills Association, Mr. B. P. Dalmia of the Bengal Sugar Mills Association and Mr. R. P. Nevatia of the Indian Sugar Syndicate.

7. Mr. B. B. Singh, Chairman, Sugar Commission U.P. and Bihar, stated that the objective of protection in this case should now be not merely to protect the industry from foreign competition but also to make the country self-sufficient in respect of sugar. For this purpose, he said, it was necessary to attract capital for the expansion of the industry to a considerable extent. He pointed out that the period of 14 years for which protection had been already given had been for the most part an abnormal period in which there were labour unrest, a World War and political uncertainties due to which the industry could not feel that confidence in the future which was necessary for its expansion and improvement to such an extent as was both desirable and practicable. His information was that Java and Cuba were going to fight against the protective duty on sugar in India and that if this duty was taken away now, it would be very difficult in the contest of the present world tendencies to reimpose it. He suggested that the present protective duties might be used as a sort of bargaining counter at international conferences and that they might be gradually removed later on if circumstances warranted such a course. He feared that, if these duties were taken off now, capital would become shy and there would be absolutely no expansion of the industry either by replacement of the present plants or by the setting up of new factories and that such a step would cripple the industry, in which case the object of self-sufficiency of the country in sugar would be totally defeated. Referring to the present inadequacy of the supply of sugarcane to the factories, he believed that, within two or three years, wheat prices might appreciably fall and that, in that event, the price of sugarcane would become relatively more attractive to the grower, and a more plentiful supply of sugarcane would be available to the factories. He concluded by saying that the views of both U.P. and Bihar Governments, whom he represented, were that the present protective duties should be continued for at least another three years, if possible, and that the proper time for a

general inquiry into this question might arrive at the end of 1949 or in the beginning of 1950.

8. Mr. Sheik Mohd. Jilani, President of the Khandsari Manufacturers' Association stated that *khandsari* production was also a very important section of the sugar industry in the country and that, though this section had not become as efficient as it should be, its maintenance was essential to the welfare of sugarcane growers, particularly in Rohilkhund, where the area under cane was about one-tenth of the cane area in India. He also pointed out that *khandsari* was truly a cottage industry which had a link with agriculture and had the advantage of low overhead charges and was, therefore, able to operate in remote rural areas where large-scale factories could not be established. He stated further that, if Government had given half as much attention to the *khandsari* industry as had been given to the sugar factories, there could have been much progress in *khandsari* as well. As *khandsari* industry was still in a comparatively backward condition, it could not at present compete with foreign sugar. He, therefore, pleaded that the present protection to the sugar industry should be continued, and that a special inquiry should be made into the *khandsari* industry when normal conditions returned.

9. Sheth Jagjivan Ujamshi of the Bombay Sugar Merchants' Association, speaking on behalf of importers and merchants, stated that, according to his information, the c.i.f. price of sugar at the present time would be about Rs. 1,100 per ton and that it was on this basis that Polish sugar had been recently sold in the world market. This price was about double the price of Indian sugar. He, therefore, urged that there was no need for protection to the sugar industry at the present time. Apart from comparative prices, Mr. Ujamshi continued, there was also the question of the gap of about 5 lakhs of tons between demand and supply in India, and he argued that a handicap like protective duties should be removed or reduced so as to encourage import of sugar as much as possible at the present time. As regards the suggestion that Java might soon be in a position to export sugar to India at a low price, Mr. Ujamshi stated that Java's productive capacity in sugar was still very low, some-where about 30,000 tons a year, though it was reported that there was a pile-stock of about a million tons, about half of which might be available for export. He also stated that the world sugar position was still tight, there being a shortage of over 30 per cent. in relation to demand and that Java would not be able to increase her production so as to have an exportable surplus during the next 4 or 5 years. Mr. N. T. Mone, the Sugar Controller, Government of India, also informed the Board that he did not expect that foreign sugar would be available to India at present at less than double the internal price of sugar in the country.

10. Mr. N. C. Menta, who was the first Sugar Controller during the last war and who had a lot to do with the sugar industry even previously suggested that since sugar was subject to complete control in respect of its production, distribution and price, there was no need for protection at the present time. He thought that

so long as the present control continued, protection was entirely unnecessary and ineffective and might be held in abeyance. He pointed out that under the present system of control, all sugar, indigenous or imported, would be sold at a uniform price fixed by the Controller, so that there would be no question of the indigenous producers being undercut by importers. He stated that the sugar control was not a war-time phenomenon because it had already been there in U.P. and Bihar even before the war and that it was bound to continue even in future. Mr. Mone, the present Sugar Controller, Government of India, did not agree with Mr. Mehta that protection would be unnecessary or that control was bound to continue, and that though personally he thought that there might be a continuance of control for another two or three years, there was no guarantee of it. All that he could say was that sugar control would continue for another year. He suggested that the question of protection should be examined on its own merits independently of the continuance or discontinuance of control.

Mr. Mone expressed the view that protection should certainly not be withdrawn owing to the repercussions which it would have on the industry and the cane grower. He suggested that the protection should be continued, as it would have a steadying effect upon all concerned and also act as a powerful check against dumping of sugar by foreign countries. The representatives of producers did not at all accept the view that control had been beneficial to the industry. They asserted that control had been responsible for a reduction in the supply of sugarcane to the factory with a consequent decline in output, that it had not succeeded in effectively controlling the price of gur with the result that the supply of cane even in the factory areas was diverted from the sugar factories to gur production, and that the control price did not make sufficient provision for depreciation and reserves. The Sugar Controller explained the method of price fixing and pointed out how care had been taken to allow for an increase in the cost of sugarcane, wages and salaries, and in the prices of stores, though he admitted that a number of sugar factories had not been able in recent years to obtain a reasonable margin of profit.

11. When the policy of protection was adopted in 1932, there was a very great expansion of the industry within the first three or four years. The number of sugar factories rose from 32 in 1931-32 to 57 in 1932-33, 112 in 1933-34, 130 in 1934-35 and 137 in 1935-36. Thereafter, further expansion was extremely slow and halting, as will be evident from the fact that during the following 4 years from 1935-36 to 1939-40, the number of factories only rose from 137 to 145. The output also rose from 158,781 tons in 1931-32 to 1,111,400 tons in 1936-37 and 1,241,700 tons in 1939-40, which is the maximum output so far attained. In the next seven years, there was a small increase in the number of factories operating, the maximum number being 151 in 1943-44, but the output fluctuated between the lowest figure of 778,100 tons in 1941-42 and 1,216,400 tons in 1943-44. During the last three years, production has been in the neighbourhood of about one million tons. The decrease in output since 1939-40 and particularly since 1943-44 is not due to any decrease of capacity, but due partly to short supply of cane and partly to other factors like transport difficulty and non availability

of stores. The figures given above relate to the factories which produce sugar direct from cane. There are also a few other factories which refine gur into sugar. Their number is small and their production has been decreasing and is at present of the order of 6,000 tons. Sugar is also produced in the country by *khandasari* process. This is also declining and the output of this section of the industry in recent years is roughly estimated to have been between 75,000 tons and 150,000 tons per annum. A statement showing the number of sugar factories actually working and the production of sugar from 1931-32 to 1945-46 is given in Appendix V. The Sugar Panel appointed by the Department of Planning and Development of the Government of India, estimates the present capacity of the industry at 10,80,000 tons. The Panel also estimates that by 1950, the requirement of the country in sugar would be 15,50,000 tons and, after providing for export of 50,000 tons to neighbouring countries, recommends a target production of 16 lakhs of tons for the period ending 1950, and for this purpose recommends the expansion of existing smaller units to a capacity of 800 tons and the addition of 20 new units including five new projects already approved by the Government of India. The Sugar Controller, however, estimates that the demand in the next three years would be of the order of 18 lakhs of tons and he suggests the installation of some 45 new units in the industry. So far as the technical efficiency of the industry is concerned, the recovery of sugar from sugarcane increased from 8.73 per cent. in 1934 to 10.2 per cent. in 1944-45. This is still below the level of recovery of 11.49 per cent. in Java (1936-37), 12.05 per cent. in Formosa (1938), 14.22 per cent. in Queensland (1940), 10.74 per cent. in Hawaii (1911), 11.60 per cent. in Natal (1941), 11.48 per cent. in Mauritius (1941) and 12.33 per cent. in Cuba (1933). In considering the question of progress in the matter of recovery, it must, however, be remembered that the percentage of recovery of sugar from sugarcane does not merely depend on the technical efficiency of the plant at the factory. It also depends considerably on the sucrose content of sugarcane and the condition in which sugarcane reaches the factory, depending upon the state of maturity of the cane, the distance of the cane field from the factory and the nature of transport. Making due allowance for differences in the quality of sugarcane, the overall technical efficiency of factories in India increased from 83.35 per cent in 1934 to 85.04 per cent. in 1940-41. Considering the serious deficiencies of the transport system in the sugarcane areas of India, 85.04 per cent. technical efficiency of sugar factories in India would compare favourably with 86.36 per cent. technical efficiency in Java (1932), 86.32 per cent. in Cuba (1931) and 82.61 per cent. in Natal (1941). So far as progress in the cultivation of sugarcane is concerned, the 1937 Tariff Board found that, during the seven years from 1930-31 to 1936-37, the acreage under sugarcane had gone up from 29 lakhs of acres to 46 lakhs of acres, the acreage under improved varieties of cane from 8 lakhs of acres to 33 lakhs of acres and the yield of cane per acre from 12.3 tons to 15.6 tons. Thereafter, due to the various handicaps imposed by the War, much progress in these directions has not been possible. There is still great scope for improvement in the quality of cane regarding its sucrose content and also in respect of the yield per acre, but progress in this matter would involve further intensive research at the cane-breeding stations, extensive and continuous experiments in the cultivation of new varieties of cane in the

Government (experimental) Sugarcane Farms and a determined effort on a wide front in translating the results of these researches and experiments in terms of output and cost at the cultivator's field and in equipping him with the necessary means of carrying on intensive cultivation of sugarcane in his own farm. This would call for an extensive Government organisation and large scale public expenditure on the agricultural side. We are informed that the Government of India have placed at the disposal of the Indian Central Sugarcane Committee funds at the rate of one anna per cwt. from the excise duty on sugar and have also made in 1945 a special grant of Rs. 125 lakhs to the Committee for a five-year research programme. It is also reported that the Government of U. P. has planned to spend something like Rs. 80 lakhs out of the cess on road development in the sugarcane areas, during the next five years. When all these plans are given effect to, we expect that there will be a great improvement in the quality of sugarcane as well as in the yield per acre, but this is admittedly a slow and long process. In planning for the future improvement of the sugar industry, particularly in its agricultural aspects, we must remember that we have to traverse a very long distance yet to reach anywhere near the same level of efficiency as prevails in Java. It may be pointed out in this connection that (1) in 1926-27 the yield of sugarcane per acre in Java was 56.2 tons as compared with 15.6 tons in India and (2) the cost of sugarcane in Java in 1937 was stated to be one anna per maund as compared with 4 to 5 annas per maund in U. P. and Bihar, 7 annas per maund in Bengal and 7 to 12 annas per maund in Bombay in the same year. Regarding the progressive efficiency of the Java sugar industry, the Tariff Board of 1937 found that the cost of production of sugar in that country had gone down from 12.87 guilders per 100 Kilos. in 1926 to 3.75 guilders in 1937, i.e., a reduction of cost by more than 70 per cent. in a period of 11 years. We have referred to these details of cost of production of sugar in Java, because she was India's strongest competitor in the sugar industry in the past and is also likely to remain the chief potential competitor in future. The Sugar Panel has recommended that the present Central Government grant to the Indian Central Sugarcane Committee of one anna per cwt. of sugar from the excise duty should be increased to four annas per cwt. In view of the great leeway to be made up before India can achieve a parity of competitive efficiency with Java and other foreign countries in the sugar industry, we endorse this recommendation of the Sugar Panel. The Tariff Board of 1937 recommended that the possibilities of establishing industries subsidiary to the sugar industry, such as the conversion of molasses into power alcohol, food yeast, fertilisers, potash and edible sugar syrups and the utilisation of bagasse for manufacture of packing papers, inferior grades of papers and paper boards, cellulose and artificial silk, bottles and glasses, should be properly investigated. We attach great importance to this recommendation and further suggest that all possible facilities should be given to the sugar factories to establish these subsidiary industries.

12. Sugarcane and beet are the two principal sources of world's sugar supply. The total average production of sugar in the World's Sugar Position. world from 1930-31 to 1934-35 was about 24,000,000 tons per annum and from 1934-35 to 1938-39 it was about 28,000,000 tons per

annum. Approximately two-thirds of the sugar produced in the world at present is from sugarcane. According to the estimates published by Messrs. Willet & Grey, London, the world's total production of sugar during the last few years was as follows :—

						Tons.
1936-37	..	..	..	..	..	29,000,000
1937-38	..	..	..	..	..	29,000,000
1944-45	..	..	..	..	..	26,000,000
1945-46	..	..	..	..	..	23,000,000

The world's production of 23,000,000 tons in 1945-46 was 6,000,000 tons or 21 per cent. less than the normal prewar output of 29,000,000 tons. It is expected that production will rise to over 27,000,000 tons in 1946-47 but this will depend upon the pace of recovery in the liberated countries. It is possible that production may be restored to the normal prewar levels within the next two years. The war has been responsible for a heavy decline in the world's sugar production and for a reduction in the stocks of sugar. Output has been drastically curtailed in Europe and the Far East and it is unlikely that these areas will be able to produce sugar on the pre-war scale before 1948. During the last three years, the Allied Governments drew heavily on the stocks of sugar, which had been built up by careful conservation of the world's supplies and today invisible stocks have virtually ceased to exist and visible stocks are lower than at any time in the past. So far as Java is concerned, "Commerce", of July 6, 1946, a publication of the United States Department of Commerce, reports, that by 1943, production in that country had been reduced to 682,900 tons, by 1944 to 496,804 tons and by 1945 to the low figure of 83,000 tons. Of the 85 sugar mills in operation in 1942, only 44 are reported to have worked in 1944. Only a few Chinese and Indonesian factories are reported to be in operation at present, and the expected output of the refined sugar for this year is only 20,000 tons. In estimating the production potential following restoration of political stability, it should be noted that the Japanese had made seed provisions for a sugar crop of 700,000 tons in 1947. The Department of Economic Affairs, U. S. A., estimates that one year after safety and stability are restored in Java, a crop of 1,500,000 tons of sugar can be harvested in that country. In addition, 51 out of the 85 sugar factories are reported to be in good working conditions and by keeping them in operation for six months of the year, the full crop can be handled. Of the estimated stock-pile of 1,594,350 tons of sugar in the interior of Java, about 400,000 tons are not packed in sacks. Furthermore, none of this stock pile has been transported to the harbours because it is located in the areas outside British and Dutch military control. It is reported that of the total stock-pile, approximately 1,100,000 tons are in a saleable condition, about 600,000 tons of which could be made immediately available for export, if it could be moved to the ports, the remaining 500,000 tons being needed for current consumption in Java. Messrs. E. D. and F. Men, London, under date of 29th July, 1946 estimate that the output of sugar in Russia will go up from 1.3 million tons in 1945-46 to 2.5 million tons in 1946-47, as compared with 2.54 million tons in 1939-40; the output in Germany in 1945 will go up from 728,000 tons in 1945-46 to 1.5 million tons in 1946-47, as compared with 2.29

million tons in 1939-40. The output in U.S.A. will go up from 1·6 million tons in 1945-46 to 1·9 million tons in 1946-47, which is also the figure for 1939-40 ; the output in Cuba, however, will go up from 4 million tons in 1945-46 to 4·9 million tons in 1946-47 which is 2·1 million tons above the figure of 1939-40. The output figures of 670,000 tons in Australia in 1945-46 will remain unchanged in 1946-47 and it will be 263,000 tons below the figure of 1939-40. Similarly, the output of South Africa is expected to be reduced from 480,000 tons in 1945-46 to 410,000 tons in 1946-47, which is only 3,000 tons higher than the figure of 1939-40.¹ These figures would show that the estimated output in 1946-47 will be smaller than that of 1939-40 in most countries, except Cuba and U. S. A. and that production in Cuba in 1946-47 will be appreciably higher than that in 1939-40 and production in U. S. A. in 1946-47 will be the same as the output in 1939-40. The overall position, however will be that the total estimated output in 1946-47 viz., 27,000,000 tons will be 4,000,000 tons above the figure for 1945-46, which indicates a definite upward trend in the world production of sugar.

13. From the statistics of imports of sugar (Appendix VI and Appendix VII), it will be found that during the three years from 1936-37 to 1938-39, the volume of imports averaged a little below 22,000 tons per annum and its value averaged approximately Rs. 26 lakhs per annum. In 1939-40, the first year of the war, figures of imports shot up very greatly, the volume being 251,707 tons and its value being Rs. 3,25,33,763. The total imports during the following three years, from 1940-41 to 1942-43, amounted to 67,978 tons, out of which 61,634 tons were re-exported, thereby leaving a little over 6,000 tons of imports for consumption in India in the three-year period. During the next following three years, from 1943-44 to 1945-46, practically no imports came on India's own account. It may, therefore, be said that the import of sugar for consumption in the country during the last six years, from 1940-41 to 1945-46, has been very small and insignificant. There has been so far no imports of sugar during the current year (1946-47). The Sugar Controller, Government of India, informed us that he had been promised by the Combined Food Board a quota of 30,000 tons of sugar for the country which would be available in June or thereafter. He also informed us that the quotations he had received from various other sources indicated a c.i.f. price which was about double the present price of Indian sugar. Mr. Jagjivan Ujamshi, a representative of importers and merchants, also stated that the world price of sugar was at present in the neighbourhood of Rs. 1,100 per ton and that no sugar in sizeable quantities was available for importation into the country at the present time. The present shortage of sugar in the world as a whole may continue at least for another year, and it is expected that the position may become somewhat easier towards the end of 1947-48.

14. Under the International Sugar Agreement of 1937, India was debarred from exporting sugar by sea to any foreign country except Burma. That Agreement expired in 1942. In the pre-war period, there were, however, small quantities of exports of sugar to neighbouring countries like Afghanistan, Nepal, Burma, Ceylon, etc. The exports amounted to 45,000 tons in 1936-37, 40,000 tons in 1937-38 and 32,000

tons in 1938-39. During the three years, 1943-44, 1944-45 and 1945-46, exports amounted to 18,000 tons, 16,000 tons and 15,000 tons respectively. The Sugar Panel in its report has recommended that India's production target must provide for annual exports up to 50,000 tons, which would provide a sort of safety valve for fluctuations in the internal demand and supply. Since the requirements of sugar in the country has been estimated at between 16 lakhs and 18 lakhs of tons per annum during the period ending 1950 and since the present production is in the neighbourhood of only 11 lakhs of tons, there does not appear to be any great scope for exports of sugar from India in the near future, except in small quantities, which are permitted for special reasons.

15. In examining this question, we have to consider, first of all, whether there is any danger at the present time of imports coming into the country at a price lower than the price of sugar in India. It was not possible for us to obtain very detailed information on this matter. We were informed by the Sugar Controller that he had just been promised a quota of 30,000 tons of sugar by the Combined Food Board and was expecting to get some more supplies of sugar in the near future. He stated that he had so far no information at all about the price at which this quota of import would be available. He added, however, that certain other quotations he had received for supply from other sources indicated a c.i.f. price of sugar in India which would be nearly double the present price of the article in the country. Mr. Ujamshi of the Bombay Sugar Merchants' Association, also mentioned the figure of Rs.1,100 per ton as a possible c.i.f. price of imported sugar, if and when available for the country. The present control price of sugar in India is Rs. 20/14 per maund *ex-factory* in all the provinces except the Punjab and the North-West Frontier Province where it is fixed at Rs. 24 per maund *ex-factory*. On this basis the price of Indian sugar at ports would be of the order of Rs. 600 per ton. A comparison of these prices would indicate that in the conditions of to-day the Indian sugar industry need not fear any competition from imports coming at a lower price. It is possible that the cost of production of sugar in some other parts of the world might be lower than that in India. We may mention in this connection that in 1946 the control price of raw sugar (96%) was approximately Rs. 208 per ton in Durban, and Rs. 236 and Rs. 139 per ton for home consumption and export (surplus sugar) respectively in Queensland. But so long as there is a short supply of sugar in India, there would be little likelihood of imports being sold in the country at a price lower than the price of indigenous sugar, even if such imports were landed in the country at a lower price. This would be the position if there were no control of sugar in the country. And so long as control continues, there must, of course, be a uniform price for all sugar, imported or indigenous. Consequently, it might be argued that no harm would be done to the sugar industry if protection were withdrawn for the time being. But we must not lose sight of the fact that the present world position of sugar and the existing levels of sugar prices in the world are abnormal and are likely to change materially in the next two years or so. When political stability is restored, it will be possible for Java and other main sugar producing countries to increase their output and possibly reduce their cost of production within a

year or two and there would then be a possibility of the imports of sugar coming into the country in fairly substantial quantities and at lower prices. The Tariff Board of 1937 estimated the fair selling price (inclusive of excise duty) of sugar in India at Rs. 8-5-4 per maund. The present price of sugar in the country is Rs. 20-14-0 *ex-factory* in the main sugar producing areas. This increase of approximately Rs. 12-8-8 is to be largely accounted for by an increase in the price of cane from 5 annas 6 pies to Rs. 1-4-0 per maund and an appreciable rise in wages and salaries, in the prices of other materials, and also a rise in the excise duty on sugar from Rs. 1-7-6 per maund to Rs. 2-3-3 per maund. The c.i.f. price of Java sugar in 1937 was estimated by the Tariff Board at Rs. 2-7-0 per maund and in 1939 by the Government of India, Department of Commerce, at between Rs. 3-8-0 and Rs. 4-3-8 per maund. Even if we take the highest of these figures, *viz.*, Rs. 4-3-8 per maund, the c.i.f. price of Java sugar must now rise at least five times as compared with what it was in 1939 in order to become as high as the present price of sugar in India. Should the c.i.f. price of Java sugar be higher than the 1939 figure by as much as 200 or 300 per cent., even then it would be possible for Java sugar to undercut Indian sugar by a fairly big margin. This is one side of the picture. Looking to the other side, *viz.*, the possible variation of price of sugar in India, it does not seem probable that the price will go down in the near future. The price of sugarcane and the price of sugar in the country have gone up continuously during the last few years. The price of sugar rose from Rs. 11-9-0 per maund in 1941 to Rs. 13-0-0 per maund in 1942, Rs. 14-8-0 per maund in 1943, Rs. 16-4-0 per maund in 1944 and Rs. 20-14-0 per maund in October 1946. It is not improbable that this price may go up still higher in the near future. For one thing, it is reported that the sugarcane producers in U. P. and Bihar are not satisfied with the present price of Rs. 1-4-0 per maund of sugarcane and are demanding a price of Rs. 2-0-0 per maund. The Sugar Controller has furnished us with a statement of index numbers of prices (Appendix VIII) from which we find that the price of sugarcane is at present much below parity with the prices of wheat and rice. Thus, taking 100 as the base price of each of the three articles in August, 1939, the index number of sugarcane rose to only 205 in July, 1946, as compared with 632 for wheat and 334 for rice in the same month. If the prices of wheat and rice continue to rule at their present levels, it might be necessary to raise the price of sugarcane still further. For another thing, there is a strong demand from labour for an increase in wages. We were informed that the U. P. Government had recently decided, on the recommendation of a Labour Inquiry Committee, to request the owners of the sugar factories in the Province to grant, with effect from the beginning of the current crushing season (1946-47) an increase of wages ranging from Rs. 13-0-0 or 57 per cent. in the case of lowest wage group earning Rs. 23-0-0 a month to Rs. 11-0-0, or 22 per cent. in the case of the wage group earning Rs. 50-0-0 a month. It is also reported that the same Government is at present considering certain other recommendations of the Labour Inquiry Committee regarding the grant of a bonus and an off-season retaining fee to all workers in the sugar factories as well as the grant of suitable increment of wages in the higher wage groups. In the light of these tendencies we may assume that the price of sugar in India is not likely to go down in the near future. On the contrary, it is probable that it will go up. Having regard to the present price

of sugar in India and the probability of a further increase in that price and taking into consideration the big gap lying between the Indian price and the possible c.i.f. price of Java sugar, we feel that the Indian sugar industry might run the risk of being undercut by lower-priced imports of Java (or other foreign) sugar after one or two years.

16. We have seen that during the six years from 1940-41 to 1945-46 and the last few months of the current year (1946-47), there were virtually no sizable quantities of imports of sugar into the country. During the whole of this period, therefore, the present protective duty has been practically ineffective, nor has it imposed any burden on the consumer. We have also seen that no sizable quantities of sugar are likely to be available for importation into the country during the next twelve months or so, and that such quantities of imports as may be available are likely to come at a price much higher than the internal price of sugar in the country. It would follow that the present protection is likely to continue to remain unnecessary for a further period of 12 or 18 months from now. In these circumstances it might have been thought appropriate to terminate the present protection. But, as we have indicated earlier in the report, the world sugar industry is likely to be rehabilitated and its production stepped up to normal prewar levels in a period of 18 months or two years. It is, therefore, probable that competition in the sugar trade may begin again in about two years' time. In such an event, it will also be possible for imports to come into the country in appreciable quantities so as to compete with Indian sugar. It is not possible for us now to anticipate what the world price of sugar is likely to be in about two years' time, because, it will depend partly on the post-war cost of production of sugar in other countries and partly on the general currency and price policy followed in those countries. The fact, however, remains that in 1937-39, the c.i.f. price of Java sugar was estimated to have varied between Rs. 2-7-0 per maund and Rs. 4-3-8 per maund. Taking this important fact into consideration, we do not see any reason to think that the c.i.f. price of Java sugar may rise to as high a figure as the present price of sugar in India, viz., Rs. 20-14-0 per maund *ex-factory*. Java was India's main competitor in the sugar industry in the past and is likely to remain, at any rate potentially, one of the main competitors in the future, with a possible price level for sugar as indicated above. It is, therefore, probable that the Indian sugar industry will again require protection against the imports of sugar from Java in about two years' time. There may also possibly be competition in the Indian sugar trade by imports of sugar from other countries as well when the world sugar industry will have achieved its full production, but we have not got any definite data at the present moment to indicate the source or the extent of this competition. Since, in any case, there is, in our view, a definite probability of competition in the sugar trade setting in within a period of about two years, when the question of protection to the Indian sugar industry may again become important, we do not think it desirable that the existing protection, though unnecessary and ineffective at the present time, should be terminated. Our conclusion is reinforced by the further fact that protection of the sugar industry is, in effect, protection of the sugarcane cultivation in India, which is an integral

part of our agricultural economy. We therefore recommend the continuance of the present protection for a further period of one year. Since the Indian sugar industry is likely to require protection for some time to come, we are of the opinion that a detailed inquiry into the extent of protection necessary should be undertaken when conditions both in India and abroad become more normal. At present, we do not expect that such normality will be restored before the end of 1948. Though we are precluded by the terms of our reference from recommending the continuance of the existing protection for more than a year, we wish to draw the attention of Government to the desirability of extending the present protection for a period of two years ending 31st March 1949 and instituting a tariff inquiry during the latter half of 1948.

17. The import duty on sugar is governed by item 17 of the First Schedule of the Indian Customs Tariff. The duty is made up as follows :—

- (1) Rs. 6-12-0 as protective duty,
 - (2) Rs. 3-0-0 as the amount of countervailing import duty equal to the existing excise duty, and
 - (3) 20% as revenue surcharge of the total of (1) and (2) above.
- In effect, the total duty works out to Rs. 11-11-1/5 per cwt.

18. Our conclusions and recommendations are summarised as under :—

Summary of conclusions and recommendations.

(i) In view of the great leeway to be made up by the Indian sugar industry before achieving parity of competitive efficiency with the sugar industry in Java and other foreign countries, we endorse the recommendation of the Sugar Panel that the present Central Government grant to the Indian Central Sugarcane Committee of 1 anna per cwt. of sugar from the excise duty should be increased to 4 annas per cwt. (Paragraph 11).

(ii) The Tariff Board of 1937 recommended that the possibilities of establishing industries subsidiary to the sugar industry should be properly investigated. We attach great importance to this recommendation and suggest that all facilities should be given to the sugar factories to establish these subsidiary industries. (Paragraph 11).

(iii) The present shortage of sugar in the world as a whole may continue at least for another year, and it is expected that the position may become somewhat easier towards the end of 1947-48. (Paragraph 13).

(iv) Since the requirement of sugar in the country has been estimated at between 16,00,000 and 18,00,000 tons per annum during the period ending 1950, and since the present production in the country is in the neighbourhood of 11,00,000 tons, there does not appear to be any great scope for export of sugar from India in the near future, except in small quantities which are permitted for special reasons. (Paragraph 14).

(v) We feel that the sugar industry might run the risk of being undercut by lower-priced imports of Java (or other foreign) sugar after one or two years and that the protection to the industry, which is at present unneces-

sary and ineffective, might again become important after one or two years. (Paragraph 15).

(vi) We recommend the continuance of the present protection for a further period of one year. Since in our opinion, the Indian sugar industry is likely to require protection for some time to come, we are of the opinion that the detailed inquiry into the extent of protection necessary should be undertaken when conditions both in India and abroad become more normal. At present, we do not expect that such normality will be restored before the end of 1948. Though we are precluded by the terms of our reference from recommending the continuance of the existing protection for more than a year, we wish to draw the attention of the Government to the desirability of extending the present protection for a period of two years ending 31st March 1949 and instituting a tariff inquiry during the latter half of 1948. (Paragraph 16).

19. The Board wishes to express its thanks to Mr. M. P. Gandhi, Technical Adviser, for his valuable help and advice, to Rai Sahib S. C. Aggarwal, Deputy Secretary, and to Dr. Rama Varma, Assistant Secretary, for their active assistance, in connection with the inquiry, and to the Reporters and other members of the Office staff for the very hard work they have done to enable the report to be drawn up in a very short time.



SHANMUKHAM CHETTY,

President.

C. C. DESAI,

Member-Secretary.

H. L. DEY,

Member.

S. C. AGGARWAL,

Deputy Secretary.

BOMBAY

21st February, 1947.

APPENDIX I.

(Vide PARAGRAPH I).

No. 134-T (36)/46.

GOVERNMENT OF INDIA

DEPARTMENT OF COMMERCE.

New Delhi, the 19th December 1946.

FROM

B. N. BANERJI, Esq., M.B.E.,

Deputy Secretary to the Government of India.

TO

THE MEMBER-SECRETARY,

*Indian Tariff Board,**Calcutta House, Ballard Estate,***BOMBAY.**

SIR,

I am directed to address you on the question of continuance of protection to certain old established industries and particularly the sugar, paper and wood pulp, cotton textile manufacturing, and iron and steel manufacturing industries which had been granted tariff protection on the basis of recommendations made by previous Tariff Boards. As you are no doubt aware, the period for which protection had been granted to these industries was due to expire during the early years of the war, but had to be extended from time to time, and the last extension agreed to by the Legislature is due to expire on the 31st March 1947. Government have, therefore, to decide urgently as to their future course of action in respect of continuation of protection to these industries beyond the 31st March 1947 so that the necessary legislation could be undertaken during the forthcoming Budget Session of the Indian Legislature.

2. The most suitable method of coming to a decision on this question would undoubtedly be to request the Tariff Board to investigate the claims of these industries to continued enjoyment of protection at the existing, or at a reduced or enhanced scale. The Government of India are advised, however, that many of the economic uncertainties which made it impossible to conduct such an enquiry during the war are still continuing, and they are therefore considering whether any alternative method could be found for evaluating in a summary manner, and pending a full-dress tariff investigation which has to be postponed to a later date, the necessity or otherwise of continuing the existing measures of protection afforded to these industries beyond the 31st March 1947. While the Government of India consider that there is a good deal of force in the argument that conditions have not yet sufficiently returned to normal for a reasonably accurate appraisement of domestic cost and foreign prices, they feel at the same time that many of the already protected industries have reached a stage where the continuance of protection at the existing level merely results in the grant of an excessive margin of profit to the manufacturing interests at the direct expense of the consumer.

SIR,

(Sd) B. N. BANERJI,

Deputy Secretary to the Government of India.



सत्यमेव जयते

APPENDIX II.

(Vide PARAGRAPH 1).

GOVERNMENT OF INDIA.
DEPARTMENT OF COMMERCE.*New Delhi, the 20th January 1947.*

RESOLUTION.

Tariffs.

No. 28-T (6)/46—In their Resolution in the Department of Commerce No. 218-T (55)/45, dated the 3rd November 1945, the Government of India announced the setting up of a Tariff Board to investigate claims for assistance or protection received from industries which have been started or developed in war time.

2. Government have also under consideration the question of continuance of protection to certain industries which were established before the war and were granted tariff protection on the basis of recommendations made by previous Tariff Boards. They have decided to request the Tariff Board, set up under the Resolution referred to in the preceding paragraph, to investigate and advise them with regard to the claims of such industries.

3. Government recognise that, in the present abnormal conditions, it would not be possible to formulate a long term tariff policy in respect of the well established industries. The Tariff Board is accordingly requested to hold summary inquiries and advise Government whether, in present circumstances, protection at the existing or at a different scale should be granted for a further year after the 31st March 1947 to the following industries :—

- (1) Sugar ;
- (2) Paper and wood pulp ;
- (3) Cotton Textiles ;
- (4) Iron and Steel.

(Sd.) N. R. PILLAI,

Secretary to the Government of India.

APPENDIX III.

(Vide PARAGRAPH 2).

*List of producers and others invited to attend the Sugar Conference.***PRODUCERS.**

1. The Indian Sugar Mills Association, Calcutta.
2. Bengal Sugar Mills Association, Calcutta.
3. Deccan Sugar Factories Association, Bombay.
4. Indian Sugar Syndicate, Ltd., Cawnpore.
5. Indian Sugar Producers' Association, Cawnpore.
6. South Indian Sugar Mills Association, Madras.

MERCHANTS AND IMPORTERS.

1. Bombay Sugar Merchants' Association, Bombay.
2. Cawnpore Sugar Merchants' Association, Cawnpore.

OFFICIALS.

1. Sir Datar Singh, Vice Chairman, Imperial Council of Agricultural Research, New Delhi.
2. Mr. N. T. Mone, I.C.S., Sugar Controller, Government of India.
3. Mr. K. B. Bhatia, I.C.S., Secretary, Agricultural Department, U.P., Lucknow.
4. Mr. B. B. Singh, I.C.S., Chairman, Sugar Commission, U.P. & Bihar, Cawnpore.
5. Mr. S. C. Roy, Director, Imperial Institute of Sugar Technology, Cawnpore.
6. Mr. N. L. Dutt, Government Sugar Cane Expert Cōimbatore.
7. Mr. A. D. Pant, Cane-Commissioner, U.P., Lucknow.
8. Cane Commissioner, Bihar, Patna.
9. Secretary, Sugar Control Board, U.P., Lucknow.
10. Secretary, Sugar Control Board, Bihar, Patna.

OTHERS.

1. Sir Fazal Ibrahim Rahimtoola, Ismail Building, Hornby Road, Bombay.
2. Lala Harsahai Gupta, P.O. Bilari, U.P.
3. Mr. N. C. Mehta, Kamla Cottage, Juhu, Bombay.
4. Mr. Lalchand Hirachand, Construction House, Bombay.
5. Mr. R. D. Bose, Secretary, Indian Central Sugar Cane Committee, New Delhi.
6. Sheik Mohammad Jilani, President, Khandasari Manufacturers' Association, Pilibhit, U.P.
7. Chowdhury Mukhtar Singh, Daurala Sugar Works, Ltd., Daurala (Meerut).

APPENDIX IV.

(Vide PARAGRAPH 2).

*List of Producers and others who attended the Sugar Conference.***PRODUCERS.**

Mr. Lalchand Hirachand.	..	..	} Representing Indian Sugar Mills Association, Calcutta.
Lala Gurusharan Lal ..	..	..	
Mr. Krishna Deva ..	..	..	
and			
Mr. J. S. Mehta (Secretary)	..	..	} Representing Deccan Sugar Factories' Association, Bombay.
Mr. D. M. Dahanukar	..	..	
Mr. K. G. Somaiya ..	..	..	
and			
Mr. D. V. Kelkar (Secretary)	..	..	} Representing South Indian Sugar Mills Association, Madras.
Mr. G. N. Todd., (c/o Parry & Co., Madras).	..	..	
Mr. B. T. Kempanna	..	..	
Mr. B. P. Dalmia ..	..	..	} Representing Bengal Sugar Mills Association, Calcutta.
Mr. B. B. Chatterjee ..	..	..	
Mr. R. P. Nevatia ..	..	..	Representing Indian Sugar Syndicate Ltd., Cawnpore.
Sheik Mohammad Jilani	..	..	Representing Khandasari Manufacturers' Association, Pilibhit, U.P.

MERCHANTS AND IMPORTERS.

Sheth Maneklal Ujamshi	..	..	} Representing Bombay Sugar Merchants' Association, Bombay.
Sheth Jagjivan Ujamshi Mulji	..	..	

OFFICIALS.

Mr. N. T. Mone, I.C.S.	..	..	Sugar Controller, Government of India, New Delhi.
Mr. B. B. Singh, I.C.S.	..	..	Chairman, Sugar Commission, U.P. & Bihar, Cawnpore.
Mr. S. C. Roy	..	..	Director, Imperial Institute of Sugar Technology, Cawnpore.

NON-OFFICIALS.

Sir Fazal Ibrahim Rahimtoola	..	..	Bombay.
Mr. N. C. Mehta	..	..	Bombay.
Mr. H. Robinson	..	..	H. M. Trade Commissioner's office, Bombay.
Mr. R. D. Bose	..	..	Secretary, Indian Central Sugar Cane Committee, New Delhi.

APPENDIX V.

(Vide PARAGRAPH 11).

Number of vacuum pan sugar factories working in India, including States, and production of sugar in vacuum pan factories, Gur refineries and, Khandsari from 1931-32 to 1945-46 and estimate of production for 1946-47.

Year (November—October).	No. of Vacuum pan factories working in India	Vacuum pan factory production (Nov.—Oct.)	Sugar refined from gur. (Jan.—Dec.)	Khandsari (Conje. tural estimates) (Nov.—Oct.).	Total production
		Tons.	Tons	Tons	Tons
1931-32	32	158,781	69,539	250,000	478,320
1932-33	57	290,177	80,106	275,000	645,283
1933-34	112	454,000	64,900	200,000	718,900
1934-35	130	578,100	43,500	180,000	771,600
1935-36	137	932,100	47,900	125,000	1,105,000
1936-37	137	1,111,400	25,600	100,000	1,237,000
1937-38	136	930,700	17,200	125,000	1,072,900
1938-39	139	650,800	14,700	100,000	765,500
1939-40	145	1,241,700	26,800	125,000	1,393,200
1940-41	148	1,095,400	44,700	200,000	1,340,100
1941-42	140	778,100	20,400	100,000	898,500
1942-43	150	1,070,700	7,800	214,000	1,292,500
1943-44	151	1,216,400	7,700	150,000**	1,374,100
1944-45*	140	953,500	6,030	75,000	1,034,530
1945-46	145	944,800	6,000	75,000	1,025,800
1946-47	146	1,000,000	6,000	60,000	1,066,000*** (Estimates)

*Vide Indian Trade Journal, dated 28th February 1946 and 20th June, 1946 and vide Indian Trade Journal (Supplement) dated 10th October, 1946.

**The Sugar Controller's estimate of Khandsari production for 1943-44 is smaller.

***Vide Indian Sugar Industry Annual for 1945-46 by Gandhi & Co., Bombay.

APPENDIX VI.

(Vide PARAGRAPH 13).

Statement of imports of sugar by sea into British India.*

	Quantity (Tons). (Year—April to March).			Value (Rs.).		
	Imports. (1)	Re-exports. (2)	Net Imports. (3)	Imports. (4)	Re-exports. (5)	Net Imports. (6)
1936-37†	(a) 23,075 (19,149)	9,096	13,979	23,91,980 (19,67,039)	14,58,876	9,33,104
1937-38	13,715	1,686	12,029	17,61,627	3,92,782	13,68,845
1938-39	32,715	49	32,666	40,92,048	9,938	40,82,110
1939-40	251,707	24,148	227,559	325,33,763	55,45,502	269,88,261
1940-41	18,778	5,075	13,703	34,68,406	16,19,520	18,48,886
1941-42	48,637	27,304	21,333	106,69,234	70,93,629	35,75,605
1942-43	563	29,255	..	1,80,759	106,93,213	..
1943-44	21	195	..	12,923	1,29,108	..
1944-45	..	..	..	1,864	..	..
1945-46	5	313	..	1,103	2,12,373	..

*Excluding sugar-candy and molasses.

†Including the share of Burma. The figures within brackets show the quantity and value of imports exclusive of Burma's share.

(a) Sugar candy not shown separately before 1937-38.

Source: See-Borne Trade Returns.

सत्यमेव जयते

APPENDIX VII.

(Vide PARAGRAPH 13).

Statement showing the total quantity and value of sugar imported into British India by sea since 1936-37 from the principal countries of consignment.

	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.	1941-42.	1942-43.	1943-44.	1944-45.	1945-46.
I.—Quantity of Imports from—										
1. U. K. ..	281	271	4,211	13,529	29	13	2	4	..	..
2. Burma ..	..	6	2,169	1,844	2	..	..	..	..	..
3. Straits Settlements ..	127	4	2	284	62	1,788	..	..	..	..
4. Hongkong ..	3,103	1,987	2,968	2,744	2,424	1,053	560	..	..	..
5. Netherlands ..	1,649	785	1,350	1,718	..	..	..	..	..	..
6. Belgium ..	45	46	62	20	5	..	..	..	..	..
7. Java ..	15,022	10,293	24,510	2,33,163	16,118	39,690	..	..	..	..
8. Japan ..	633	468	15	7	..	..	..	..	..	..
9. China ..	1,907	523	391	1,056	227	66	..	..	..	..
10. Portuguese East Africa ..	..	..	..	668	450	6,271	..	..	..	..
Total Imports (all countries) ..	19,149*	14,389	35,679	255,037	19,319	48,884	567	21	..	35

APPENDIX VIII.

(Vide PARAGRAPH 15).

Statement of Index Numbers of Prices of Wheat, Rice, Sugarcane, Sugar and Gur.

MARKET PRICES.

		Wheat (Hapur).	Rice (Patna).	Sugarcane (U.P. & Bihar).	Sugar (U.P. & Bihar).	Gur (Muzaffar- nagar).
August 1939 (Base) ..	INDEX PRICE	100 (2-9-9)	100 (3-1-0)	100 (0-7-0)	100 (10-1-0)	100 (8-1-0)
September 1939 ..		113 (2-15-3)	106 (3-4-0)	100 (0-7-0)	108 (10-14-0)	104 (8-5-7)
September 1940 ..		123 (3-3-6)	140 (4-5-0)	79 (0-5-6)	91 (9-2-0)	56 (4-8-0)
September 1941 ..		155 (4-0-9)	169 (5-3-0)	71 (0-5-0)	96 (9-10-0)	47 (3-12-0)
September 1942 ..		191 (5-0-0)	244 (7-8-0)	114 (0-8-0)	122 (12-4-0)	118 (9-6-6)
September 1943 ..		522 (13-10-0)	571 (17-8-0)	143 (0-10-0)	139 (14-0-0)	143 (11-5-0)
September 1944 ..		373 (9-12-0)	391 (12-0-0)	171 (0-12-0)	147 (14-13-0)	118 (9-8-0)
September 1945 ..		392 (10-4-0) Market Price	326 (10-0-0)	205 (0-14-6)	161 (16-4-0)	102 (8-4-0)
July 1946 ..		632 (16-8-0) Market Price	334 (10-4-0)	205 (0-14-6)	165 (16-10-10)	142 (11-8-0)

सत्यमेव जयते